
KEY ANACON MINES
LIMITED

FORMERLY ANACON LEAD MINES LTD

M.J. BOYLEN

ANNUAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 1978



KEY ANACON MINES LIMITED

(Incorporated under the laws of Ontario on May 4, 1948)

DIRECTORS

J. E. IRVING Saint John, New Brunswick
A. G. KIRKLAND Saint John, New Brunswick
D. A. MACFARLANE Saint John, New Brunswick
DR. A. L. McALLISTER Fredericton, New Brunswick
L. McC. RITCHIE Saint John, New Brunswick

OFFICERS

L. McC. RITCHIE *President*
A. G. KIRKLAND *Vice-President*
D. A. MACFARLANE *Secretary and Treasurer*
MRS. M. JONES *Ass't.-Secretary*

HEAD OFFICE

SUITE 1101, 21 KING ST. EAST Toronto, Ontario

EXECUTIVE OFFICE

GOLDEN BALL BUILDING Saint John, New Brunswick

TRANSFER AGENT AND REGISTRAR

GUARANTY TRUST COMPANY OF CANADA Toronto, Ontario

AUDITORS

THORNE RIDDELL & CO. Saint John, New Brunswick

ANNUAL MEETING

April 19, 1979 — 11:30 a.m (Toronto time)
Saskatchewan room, Royal York Hotel, Toronto, Ontario

KEY ANACON MINES LIMITED

DIRECTORS' REPORT TO THE SHAREHOLDERS

During 1978, total expenditures by the Corporation were approximately \$120,000 compared with \$129,000 in 1977. This reduction of \$9,000 was made up mainly of a reduction of about \$25,000 in exploration expenses and geophysical work offset by about \$16,000 increased interest expenses. Exploration and geophysical work on surface was substantially completed in 1977 and less than \$1,000 was spent in 1978. Interest rates, as is generally known, increased significantly in 1978, the effect of which was compounded by the necessity for the Corporation to increase its bank borrowing in the year by a net amount of \$60,000.

On the income side, dividends received by the Corporation from its holding of 500,000 shares of Brunswick Mining and Smelting Corporation Limited (Brunswick) increased in 1978 to \$50,000 from \$25,000. Brunswick paid a dividend of 10c per share late in 1978 as compared with 5c per share in 1977. It has reported substantially improved earnings in 1978 as compared with 1977 and your management is hopeful this improvement will continue into 1979.

No further exploration is contemplated at the present time on the Corporation's mining property. Should base metal prices (primarily zinc and lead) continue to improve and the inflationary effect on costs in Canada abate, a further study on the current economic viability of the mining property would be warranted.

There has been no change in the officers or management of your Corporation during 1978.

On behalf of the Board.

L. McC. RITCHIE, President.

Saint John, N.B.

February 10, 1979

Thorne
Riddell
& Co.

CHARTERED ACCOUNTANTS

AUDITORS' REPORT

To the Shareholders of
Key Anacon Mines Limited

We have examined the balance sheet of Key Anacon Mines Limited as at December 31, 1978 and the statements of deficit, deferred development and administrative expenditures and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at December 31, 1978 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

THORNE RIDDELL & CO.,
Chartered Accountants.

Saint John, New Brunswick
January 12, 1979

KEY ANACON MINES LIMITED

BALANCE SHEET AS AT DECEMBER 31, 1978

ASSETS

Current	1978	1977
Cash	\$ 1,887	—
Marketable investments - (note 2)	11,025	\$ 7,500
Prepaid expenses	741	1,276
	<u>13,653</u>	<u>8,776</u>
Investments in Other Mining Companies (note 3)		
Brunswick Mining and Smelting Corporation Limited	1,752,530	1,752,530
Chibex Limited	—	1
	<u>1,752,530</u>	<u>1,752,531</u>
Fixed Assets and Deferred Expenditures		
Mining properties	66,341	66,341
Land, buildings, plant and equipment	466,895	466,895
Deferred development and administrative expenditures (note 4)	4,016,524	3,949,308
	<u>4,549,760</u>	<u>4,482,544</u>
	<u>\$ 6,315,943</u>	<u>\$ 6,243,851</u>

LIABILITIES

Current		
Bank overdraft	—	\$ 3,443
Accounts payable and accrued liabilities	\$ 149,478	137,467
	<u>149,478</u>	<u>140,910</u>
Other (note 5)		
Bank loan	<u>843,000</u>	<u>783,000</u>

SHAREHOLDERS' EQUITY

Capital Stock		
Authorized		
10,000,000 Common sharees, par value 20 cents per share		
Issued		
8,166,157 Common shares	1,633,231	1,633,231
Contributed Surplus, premium on issue of common shares	<u>4,462,308</u>	<u>4,462,308</u>
	6,095,539	6,095,539
Deficit	<u>772,074</u>	<u>775,598</u>
	<u>5,323,465</u>	<u>5,319,941</u>
	<u>\$ 6,315,943</u>	<u>\$ 6,243,851</u>

Approved by the Board

L. McC. RITCHIE, Director

D. A. MACFARLANE, Director

KEY ANACON MINES LIMITED

YEAR ENDED DECEMBER 31, 1978

STATEMENT OF DEFICIT

	1978	1977
Deficit at beginning of year	\$ 775,598	\$ 774,398
Increase (decrease) in provision for loss in value of marketable investments	(3,525)	1,200
Investment in Chibex Limited written-off	1	
	(3,524)	1,200
Deficit at End of Year	\$ 772,074	\$ 775,598

STATEMENT OF DEFERRED DEVELOPMENT AND ADMINISTRATIVE EXPENDITURES

	Balance at beginning of year	Additions	Balance at end of year
Development expenses	\$ 2,398,635	\$ 16,396	\$ 2,415,031
Administrative expenses	1,550,673	50,820	1,601,493
	<u>\$ 3,949,308</u>	<u>\$ 67,216</u>	<u>\$ 4,016,524</u>

STATEMENT OF CHANGES IN FINANCIAL POSITION

Working Capital Derived From

Bank borrowings	\$ 60,000	\$ 66,500
Decrease in provision for loss in value of marketable investments	3,525	—
	<u>63,525</u>	<u>66,500</u>

Working Capital Applied To

Development and administrative expenditures	67,216	102,288
Increase in provision for loss in value of marketable investments	—	1,200
	<u>67,216</u>	<u>103,488</u>

Decrease in Working Capital Position	3,691	36,988
Working Capital Deficiency at Beginning of Year	132,134	95,146
Working Capital Deficiency at End of Year	<u>\$ 135,825</u>	<u>\$ 132,134</u>

NOTE — The bank loan has not been included in the calculation of working capital deficiency (notes).

KEY ANACON MINES LIMITED

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31 ,1978

1. ACCOUNTING POLICIES

(a) Fixed assets and depreciation

Fixed assets are stated at the cost of acquisition. No depreciation has been provided on the fixed assets as the company is presently exploring and developing mining claims and all expenses are deferred.

(b) Marketable investments

Marketable investments included in current assets are carried at the lower of cost of acquisition or the current quoted value.

2. MARKETABLE INVESTMENTS

	1978	1977
Cost of acquisition	\$ 16,123	\$ 16,123
Provision for loss in value	5,098	8,623
	<hr/>	<hr/>
Balance - being quoted market value	\$ 11,025	\$ 7,500
	<hr/>	<hr/>

3. INVESTMENTS IN OTHER MINING COMPANIES

The Corporation's investment in Brunswick Mining and Smelting Corporation Limited consists of 500,000 common shares carried at cost, less amounts written down in prior years - quoted market value 1978, \$2,875,000; 1977, \$1,850,000.

At December 31, 1978, the Corporation also owned 5,429 shares of O'Brien Gold Mines Limited which were held in escrow. As such, there is no quoted value for these shares.

4. DEFERRED DEVELOPMENT AND ADMINISTRATIVE EXPENDITURES

Development and administrative expenditures amounting to \$4,016,524 at December 31, 1978 have been deferred with the intention they be amortized by charges against income from future mining operations. Realization of this income is dependent on the known ore body, and the additional reserves which may be developed in the future, becoming economic within the framework of metallurgical recoveries, metal prices and other operating costs.

5. OTHER LIABILITIES

The bank loan, payable on demand, is secured by a pledge of shares of Brunswick Mining and Smelting Corporation Limited. It is shown on these financial statements as a non-current liability as the shares pledged against it are shown as a non-current asset.

